GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:3181
ANSWERED ON:29.08.2013
LOSSES IN AIR INDIA
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Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether Air India has suffered loss on almost all the routes and if so, the details for the last three years, year-wise;

(b) the details of the income generated and the expenditure incurred by Air India during each of the last three years and the reasons for increasing loss, if any;

(c) whether the banks have denied fresh loans to Air India and if so, the steps taken/proposed to be taken thereon;

(d) whether any scheme for restructuring/bail out package for Air India was approved recently and if so, the steps taken to implement the scheme/package along with the results achieved/proposed to be achieved;

(e) whether the Government is contemplating dis-investment of Air India and if so, the details thereof;and

(f) the steps taken/being taken to turn Air India into a profit making entity and the progress made in this regard so far?

Answer

Minister of State in the Ministry of CIVIL AVIATION (SHRI K. C. VENUGOPAL)

(a): The details of ruoutes economics of Air India for the last three years are as under:-

Sl. No.	Routes	No. of Services		
	2010-11	2011-12	2012-13	
1.	Services not meeting cash cost	178	137	78
2.	Services meeting cash cost but not meeting total cost	81	57	109
3.	Services meeting total cost	10	01	14
	Total	269	195	201

(b) the details of the income generated and the expenditure incurred by Air India during each of the last three years and the reasons for increasing losses are as under:

Sl.No.	Particulars	Ruppees in Crores		
	2010-11	2011-12	2012-13	
1.	Total Revenue	14455.98	15901.79	16130.08
2.	Total Expenses	23459.48	21319.65	22542.00

The main reasons for the losses are:-

i) Abnormal increase in price of ATF more than three times the year 2000 level and un-favourable pricing/taxation structure for ATF in India

ii) Increase in depreciation expenditure due to aircraft acquisition

iii) Increase in interest on aircraft loans due to induction of new aircraft fleet and high infrastructure cost existing at airports

iv) Increase in financing cost on account of increase in interest rates and increase in working capital borrowings

v) Decrease in ground handling revenue

vi) Depreciation of Rupee against US Dollar

vii) Entry of Low Cost Carriers on domestic and international routes and

viii) Global recession and fall in premium traffic

(c): Yes, Madam. Air India has requested for Government of India`s Guarantee for getting fresh loans from the Banks.

(d): The Financial Restructuring Plan (FRP) and Turn Around Plan(TAP) of Air India has been approved by the Goverment on 12.04.2012 under which there would be equity investment in Air India spread over 10 years. Under FRP the Government has already released Rs.11,700 crores as equity till 31st August, 2013. Equity infusion by the Goverment is against achievement of specific milestones in terms of load factors, yield and on-time performance. Achievements made by Air India vis-a-vis TAP milestones are as Annexed.

(e): No, Madam.

(f): Under the Turn Around Plan approved by the Cabinet, banks have converted short term loans amounting to Rs.10,500 crores into long term loans. A certain portion of short term loans amounting to Rs.7400 crores have been paid through the proceeds of Non-Convertible Debentures(NCD). This has resulted into reduction in the interest. Besides the above, the Government has taken several steps to turn Air India in to profit making organisation. Some of the steps taken by the Government are as follows: i) Discontinuatin of highly loss making routes where there is no probability of profitability even in remote future.

(ii) elimination of route network including parallel operations

(iii) induction of new fuel efficient aircraft on several domestic and international routes to increase passenger appeal and reduce operational cost

(iv) enhanced utilisation in new fleet of new aircraft

(v) phasing out of old fleet and consequential reduction in maintenance cost.

(vi) establishment of institutional mechanism to promptly respond to market developments.